

Department of Insurance

Analyst: Freeman

Historical Summary

OPERATING BUDGET	FY 2003 Total App	FY 2003 Actual	FY 2004 Approp	FY 2005 Request	FY 2005 Gov Rec
BY PROGRAM					
Insurance Regulation	5,096,600	4,697,800	5,170,800	5,487,300	5,531,000
State Fire Marshal	833,300	753,500	842,000	935,000	934,200
Total:	5,929,900	5,451,300	6,012,800	6,422,300	6,465,200
BY FUND CATEGORY					
Dedicated	5,775,100	5,296,500	5,858,000	6,255,000	6,247,100
Federal	154,800	154,800	154,800	167,300	218,100
Total:	5,929,900	5,451,300	6,012,800	6,422,300	6,465,200
Percent Change:		(8.1%)	10.3%	6.8%	7.5%
BY OBJECT OF EXPENDITURE					
Personnel Costs	3,796,100	3,618,000	3,856,200	4,035,200	4,120,800
Operating Expenditures	2,019,800	1,779,700	2,038,600	2,235,100	2,192,400
Capital Outlay	111,500	51,100	115,500	149,500	149,500
Trustee/Benefit	2,500	2,500	2,500	2,500	2,500
Total:	5,929,900	5,451,300	6,012,800	6,422,300	6,465,200
Full-Time Positions (FTP)	68.50	68.50	68.50	69.50	70.50

Department Description

The Department of Insurance has two budgeted programs: Insurance Regulation and the State Fire Marshal.

The Insurance Regulation Program consists of three bureaus:

(1) The Company Activities Bureau is charged with monitoring the financial condition of all insurance entities licensed or approved to sell insurance in this state to ensure that each will be able to meet its obligations to policyholders and creditors. This bureau reviews insurance policy rates and forms to assure compliance with Idaho Code, and collects insurance premium taxes and audits insurance tax and fee returns. The Company Activities Bureau also collects the arson, fire and fraud assessment used to fund the State Fire Marshal.

(2) The Consumer Services Bureau licenses insurance agents, brokers, insurance counselors, third party administrators, adjusters, and managing general agents. This bureau provides information to those who need assistance in insurance matters, analyzes consumer and industry complaints, and investigates alleged criminal and administrative violations of the law. Investigators work with state and local law enforcement agencies in the prosecution of those violations. The Consumer Services Bureau is also responsible for the Senior Health Insurance Benefits Advisors (SHIBA), a network of volunteers that provides information and counseling to senior citizens.

(3) The Support Services Bureau provides fiscal, purchasing, information technology, and personnel services to the Division of Insurance and the Division of the State Fire Marshal.

The State Fire Marshal focuses on fire prevention and arson investigation. This is done by enforcing the Uniform Fire Code, investigating suspected arson or fraud, and educating the public in matters of fire prevention and hazardous conditions in buildings or premises.

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2004 Original Appropriation	68.50	0	6,012,800	68.50	0	6,012,800
1. Medicare Education Partnership	0.00	0	0	1.00	0	16,100
FY 2004 Total Appropriation	68.50	0	6,012,800	69.50	0	6,028,900
Non-cognizable Increase	0.00	0	10,700	0.00	0	10,700
FY 2004 Estimated Expenditures	68.50	0	6,023,500	69.50	0	6,039,600
Removal of One-Time Expenditures	0.00	0	(126,200)	0.00	0	(127,700)
FY 2005 Base	68.50	0	5,897,300	69.50	0	5,911,900
Personnel Cost Rollups	0.00	0	78,000	0.00	0	78,000
Inflationary Adjustments	0.00	0	30,400	0.00	0	0
Replacement Items	0.00	0	146,300	0.00	0	146,300
Nonstandard Adjustments	0.00	0	(33,200)	0.00	0	(44,500)
Medicare Education Partnership	0.00	0	0	0.00	0	36,000
Change in Employee Compensation	0.00	0	33,200	0.00	0	67,200
FY 2005 Program Maintenance	68.50	0	6,152,000	69.50	0	6,194,900
1. Replace Database	0.00	0	200,000	0.00	0	200,000
2. Statewide Prevention & Ed. Position	1.00	0	70,300	1.00	0	70,300
FY 2005 Total	69.50	0	6,422,300	70.50	0	6,465,200
Change from Original Appropriation	1.00	0	409,500	2.00	0	452,400
% Change from Original Appropriation			6.8%			7.5%

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Budget by Decision Unit

	FTP	General	Dedicated	Federal	Total
FY 2004 Original Appropriation					
	68.50	0	5,858,000	154,800	6,012,800

1. Medicare Education Partnership

Insurance Regulation

Agency Request 0.00 0 0 0 0

Provide additional spending authority and 1 FTP to administer a federal grant awarded to the Office on Aging to create and implement a Medicare Education Partnership for the citizens of Idaho. This free service will provide the following services: educate beneficiaries in understanding and analyzing their Medicare billing information; teach how to organize medical bills, payments and visits; teach the steps to follow when a billing error is discovered; dispute Medicare charges; teach how to write appeals; and be a liaison between the provider and beneficiary. This request is only for the remaining portion of FY 2004.

Governor's Recommendation 1.00 0 0 16,100 16,100

FY 2004 Total Appropriation

Agency Request 68.50 0 5,858,000 154,800 6,012,800

Governor's Recommendation 69.50 0 5,858,000 170,900 6,028,900

Non-cognizable Increase

Reflects a non-cognizable increase in a federal grant for the Senior Health Insurance Benefits Advisors (SHIBA) program.

Agency Request 0.00 0 0 10,700 10,700

Governor's Recommendation 0.00 0 0 10,700 10,700

FY 2004 Estimated Expenditures

Agency Request 68.50 0 5,858,000 165,500 6,023,500

Governor's Recommendation 69.50 0 5,858,000 181,600 6,039,600

Removal of One-Time Expenditures

Remove funding provided for one-time items.

Agency Request 0.00 0 (115,500) (10,700) (126,200)

Governor's Recommendation 0.00 0 (115,500) (12,200) (127,700)

FY 2005 Base

Agency Request 68.50 0 5,742,500 154,800 5,897,300

Governor's Recommendation 69.50 0 5,742,500 169,400 5,911,900

Personnel Cost Rollups

Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates which are projected to increase by 17 percent, from \$5,548 to \$6,493 per employee; and retirement system (PERSI) rates that will increase by over 6% to 10.39 and 10.73 percent of salary for regular and police/firefighter members, respectively.

Agency Request 0.00 0 78,000 0 78,000

Governor's Recommendation 0.00 0 78,000 0 78,000

Inflationary Adjustments

Includes a general inflationary increase of 1.9% in operating expenditures and trustee/benefit payments.

Agency Request 0.00 0 29,500 900 30,400

The Governor recommends no increase for general inflation.

Governor's Recommendation 0.00 0 0 0 0

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Budget by Decision Unit

	FTP	General	Dedicated	Federal	Total
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Replacement Items

Insurance

Capital Outlay: 25 PCs (\$41,300), 2 laptops (\$6,000), 2 servers (\$60,000), 5 printers (\$5,700), 2 photocopiers (\$9,800), 2 fax machines (\$3,600), 1 digital camera (\$900).

Fire Marshal

Capital Outlay: 3 PCs (\$5,000), 2 laptops (\$6,000), 3 printers (\$3,500), 1 workstation (\$4,500).

Agency Request	0.00	0	146,300	0	146,300
Governor's Recommendation	0.00	0	146,300	0	146,300

Nonstandard Adjustments

Reflects reductions in Attorney General, Controller and Treasurer fees pursuant to the Statewide Cost Allocation Plan. Also reflects a reduction in Risk Management property/casualty rates and an increase in building services space charge. Reflects an ongoing increase in a federal grant for the Senior Health Insurance Benefits Advisors (SHIBA) program.

Agency Request	0.00	0	(43,700)	10,500	(33,200)
<i>Funding for Building Services space charge is not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	(55,000)	10,500	(44,500)

Medicare Education Partnership

Insurance Regulation

Agency Request	0.00	0	0	0	0
<i>This decision unit would annualize the full cost of the Medicare Education Partnership program, assuming the program receives partial year funding from the corresponding supplemental. A decrease in operating expenses will be recognized as the full-time position will be located in the Treasure Valley, thus reducing previous travel costs.</i>					
Governor's Recommendation	0.00	0	0	36,000	36,000

Change in Employee Compensation

Reflects the cost of a 1% salary increase for permanent and group positions.

Agency Request	0.00	0	32,100	1,100	33,200
<i>The Governor recommends a compensation increase of 2% to be distributed based on merit. No adjustment to the pay line is recommended.</i>					
Governor's Recommendation	0.00	0	65,000	2,200	67,200

FY 2005 Program Maintenance

Agency Request	68.50	0	5,984,700	167,300	6,152,000
Governor's Recommendation	69.50	0	5,976,800	218,100	6,194,900

1. Replace Database

Insurance Regulation

This enhancement would provide \$200,000 in one-time operating expenses for the replacement of the Department's Insurance Information Database System. The current database is outdated (the software has been out of production for 6 years) and is no longer supported by the vendor. This enhancement would fund the purchase of a software license for Idaho-specific insurance database software and vendor support with program implementation and training of Department personnel. This request is for spending authority only -- the Department currently has adequate dedicated fund revenue to pay for this request.

Note: The Department intends to contract with a consultant in FY 2004 to determine the database software specifications for the purpose of developing a RFP for software and vendor selection.

Agency Request	0.00	0	200,000	0	200,000
Governor's Recommendation	0.00	0	200,000	0	200,000

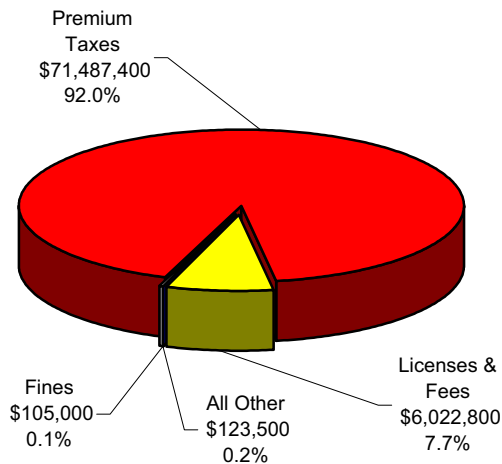
Department of Insurance

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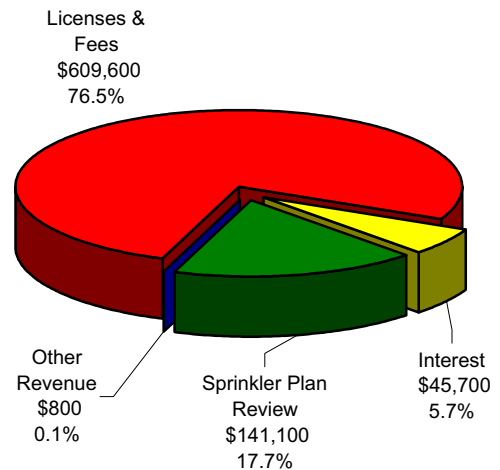
Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
2. Statewide Prevention & Ed. Position					State Fire Marshal
This enhancement would provide 1 FTP and related funding in the office of the State Fire Marshal. The addition of this position would free up existing deputy fire marshals to assist local fire departments with sprinkler inspections which are going to increase due to the adoption of the International Building and Fire Codes.					
Agency Request	1.00	0	70,300	0	70,300
<i>Governor's Recommendation</i>	<i>1.00</i>	<i>0</i>	<i>70,300</i>	<i>0</i>	<i>70,300</i>
FY 2005 Total					
Agency Request	69.50	0	6,255,000	167,300	6,422,300
<i>Governor's Recommendation</i>	<i>70.50</i>	<i>0</i>	<i>6,247,100</i>	<i>218,100</i>	<i>6,465,200</i>
Agency Request					
Change from Original App	1.00	0	397,000	12,500	409,500
% Change from Original App	1.5%		6.8%	8.1%	6.8%
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>2.00</i>	<i>0</i>	<i>389,100</i>	<i>63,300</i>	<i>452,400</i>
<i>% Change from Original App</i>	<i>2.9%</i>		<i>6.6%</i>	<i>40.9%</i>	<i>7.5%</i>

REVENUES

Insurance Administrative Fund
FY03 Actual Revenue
Total: \$77,738,700

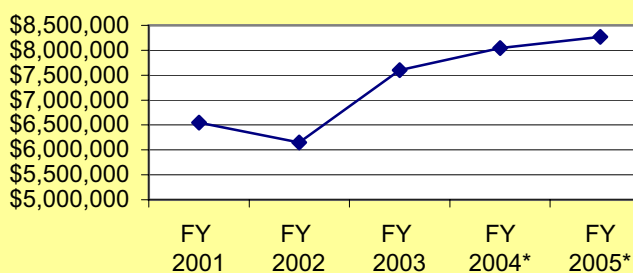


Arson Fire & Fraud Fund
FY03 Actual Revenue
Total: \$797,200

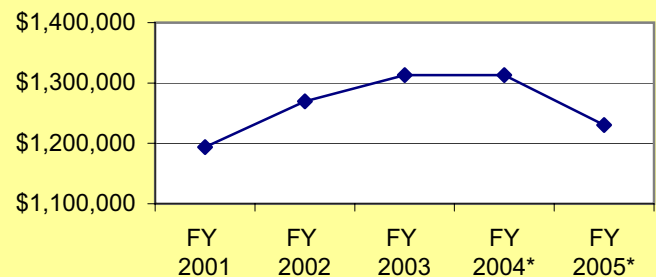


FREE FUND BALANCES

Insurance Administrative Fund**
FY 2003 Actual - \$7,598,300



Arson Fire & Fraud Fund
FY 2003 Actual - \$1,313,200



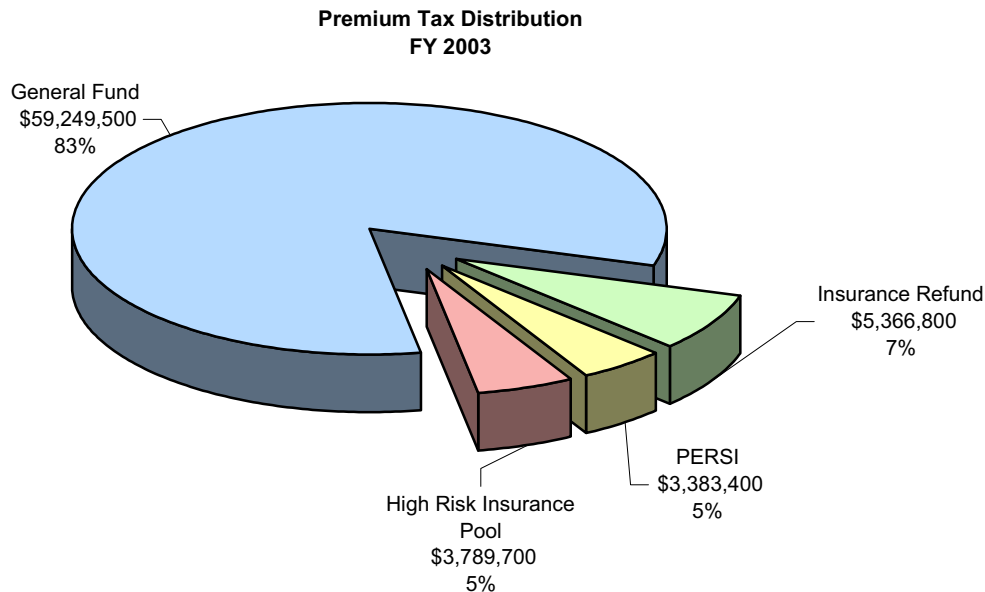
* Figures are based on revenue projections for FY 2004 & FY 2005.

** Idaho Code §41-401(3)(e) provides that "at the beginning of each fiscal year, those moneys in the insurance administrative account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

Department of Insurance

Issues & Information

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Revenue from the premium tax is distributed to the following funds:

INSURANCE REFUND: Used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system.

HIGH RISK INSURANCE POOL: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

IDAHO HEALTH INSURANCE ACCESS CARD: If premium tax revenue exceeds \$55 million, 25% of the excess goes to the Idaho Health Insurance Access Card Fund, with 80% going to CHIP Plan B and the children's access card program, and 20% (not to exceed \$1.2 million) to the small business health insurance pilot program. The CHIP Plan B and the children's access card program shall be implemented by July 1, 2004 (FY 2005). Implementation of the small business health insurance pilot program shall begin on July 1, 2005 (FY 2006).

GENERAL FUND: the balance of the premium tax, fines and penalties are distributed to the General Fund.

Premium Tax Revenues				
	FY02 Act.	FY03 Act.	FY04 Est.	FY05 Est.
	\$ 65,933,700	\$ 71,487,400	\$ 73,970,000	\$ 76,367,600
Distribution of Premium Tax Revenues				
	FY02 Act.	FY03 Act.	FY04 Est.	FY05 Est.
General Fund	\$ 56,716,800	\$ 59,249,500	\$ 60,555,600	\$ 61,982,100
Insurance Refund	\$ 5,294,200	\$ 5,366,800	\$ 4,526,300	\$ 4,648,700
PERSI	\$ 3,150,100	\$ 3,383,400	\$ 3,468,000	\$ 3,554,700
High Risk Insurance Pool	\$ 2,388,800	\$ 3,789,700	\$ 5,526,200	\$ 6,289,300